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**qUorate Limited**  
**Response to Central Bank of Ireland Consultation Paper 160**  
**Amendments to the Fitness and Probity Regime**  
**Date: 10<sup>th</sup> July 2025**

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## Summary Introduction

We welcome **CP160** as a significant and timely reform to the Central Bank of Ireland's **Fitness and Probity (F&P)** regime. The proposed consolidation of guidance, revision of Pre-Approval Controlled Functions (PCFs), and introduction of structured supervisory processes reflect meaningful steps toward regulatory clarity and enhanced governance across all regulated entities.

Our submission focuses on how the **selection, matching, and governance** of **Independent Non-Executive Directors (INEDs)** and **Chairs** can be modernised to better reflect the diversity, independence, and capability expectations of a future-proofed F&P regime.

We raise specific concerns about:

- The **lack of independence in INED appointment processes**;
- The **informality and opacity** of selection pathways;
- The **absence of clear expectations around board diversity, tenure, and independence**;
- The **need for objective, data-driven frameworks** that enable regulated entities to align candidates to board roles based on **skills, experience, product knowledge, and specialism**.

In parallel, we endorse and expand on recommendations from broader industry contributors (e.g., Irish Funds and Blockchain Ireland), particularly regarding proportionality for emerging sectors, such as fintech and CASPs, and recommend clarity and structure around CASP-specific regulatory expectations.

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## Summary of Recommendations

Theme	Recommendation
Sector-Specific Guidance	Publish a PCF-by-sector matrix or annex to clarify applicable roles by firm type.
INED Independence	Issue guidance discouraging informal referrals and promote <b>independent, auditable appointment processes</b> .
INED Matching	Recommend a structured, data-led process matching board candidates by <b>skills, knowledge, experience, and product specialism</b> .
Board Diversity	Define diversity beyond gender—include thought, experience, neurodiversity, culture, and international exposure.
Time Commitment Dual-Hatting	<b>&amp;</b> Clarify acceptable thresholds for multiple PCF roles in early-stage and low-complexity firms.
INED Tenure	Introduce a maximum INED tenure of <b>9 years</b> , with a transition window of 12 months.
CASP-Specific Guidance	Integrate MiCAR and VASP requirements, and confirm acceptability of remote or international PCFs.
Temporary Appointments	Mirror FCA's <b>12-week temporary PCF rule</b> and support streamlined maternity/leave transitions.
Due Diligence Flexibility	Clarify proportional background checks, acceptable reference substitutes, and professional credential expectations.
Portal Improvements	Address IQ platform issues; improve navigation, pre-submission access, and collaborative editing.
Implementation Timeline	Ensure a <b>minimum 6-month implementation period</b> post-publication of final guidance, with supporting toolkits.

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## 1. General Observations

### a. Consolidation of Guidance

We support the move to consolidate existing CBI expectations, including FAQs, Dear CEO letters, and gatekeeper manuals. **qUorate** notes that existing documents such as the **2018 FAQ** and the **Gatekeeper Process Manual** should be either clearly integrated or marked obsolete. This would simplify compliance and aid new entrants.

With the emerging arena of Digital Assets, **qUorate** believe that a consolidated Guidance **must cross-reference or incorporate** CASP-specific materials (e.g., safeguarding expectations and MiCAR readiness).

✓ *Recommendation: Clarify whether all existing FAQs and sectoral notes will be absorbed and, if not, which remain valid.*

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## 2. Fitness and Probity Standards

### a. Diversity, Independence, and Board Composition

**qUorate** agree diversity is critical but must be implemented **proportionately**. Firms face practical challenges in sourcing suitably diverse talent, especially for INED roles in the Irish and digital asset labour markets.

**qUorate** would call for guidance to stress that the term **diversity** needs to be explicitly defined as being diversity of **thought and experience** and not just gender. Gender used to be one of the few diversity criteria that could be measured. There are now many assessment and/or measurement tools to consider many stands of diversity. Without explicit and repeated clarification, the term diversity is assumed to mean gender, which then on occasion has actually lead to exclusion rather than inclusion, when a broader understood definition would be fairer and have a greater governance outcome.

**qUorate** is aware of specific cases of failed INED recruitment after prolonged searches—even using executive recruitment. We would support better guidance on “independence of mind” and practical examples to evidence it.

**qUorate** believe that board composition is fundamentally linked to clearer, inclusive, definition of diversity; where diversity of skills, knowledge, specialisms and experience are considered as genres of diversity

✓ *Recommendation: Adopt a phased, proportional approach to diversity; clarify that recruitment processes and board skills matrices can demonstrate intent and good faith efforts.*

## **b. Time Commitment & “Full-Time” Expectations**

**qUorate** seeks clearer methodology for assessing time commitment for all PCF Holders, including board members. We observe differing daycounts for board members who sit on similar structures, when one considers *nature, scale & complexity*

**qUorate** would also flag risk of disproportionate application to fintechs/CASPs, where lean teams are necessary. A clearer framework where dual-hatting is achievable would be constructive and alleviate confusion for all parties

✓ *Recommendation: Provide objective examples where multiple PCF roles or part-time PCFs are acceptable based on scale and activity (e.g., < €10M AUM, < 10 staff).*

## **c. INED Selection: Bias, Informality & the Need for Independent Matching**

Quorate would like to raise specific concern about how INEDs are selected across regulated entities in Ireland. While the Guidance rightly focuses on board competence, diversity, and independence of mind, it does not address a core structural issue: **INED appointments are often not independently sourced or assessed.**

Currently:

- INED candidates are **commonly referred via personal networks**, legal advisers, service providers, or incumbent directors.
- **Executive recruitment is rarely used**, especially for fund boards or early-stage regulated firms.
- As a result, board composition is frequently shaped by **convenience, familiarity, and informal channels**, rather than merit or fit and certainly **not independence**
- These practices entrench **unconscious bias**, erode the independence of board appointments, and dilute the collective capability and diversity that the F&P regime seeks to promote.

*Analogy: If the CEO of a regulated entity befell a sudden tragedy, should the firm ask their law firm or management company to recommend a CEO ? No, they should run an executive independent search to find the best candidate. So arguably, the highest echelon of the governance framework – the board – should be independently source and presented for a process. Any service provider to a regulated entity, presenting, recommending or initiating a board candidate, cannot then be independent to that service provider as a board member*

✓ *Recommendation: Provide guidance and instruction that bolsters independence of INED recommendation.*

#### **d. qUorate Recommendation: Independent, Data-Led INED Matching**

Quorate proposes a **structured, evidence-based framework** for INED selection, designed to ensure board appointments are driven by objectively aligned criteria. We recommend the Central Bank encourage firms to adopt a **data-driven, independent matching process**, especially at the longlist and pre-screening stage with **an audit trail report on the selection journey**

This matching process should be based on:

(Illustrative, but not exhaustive, criteria are listed hereunder)

##### **Skills Set**

- Analytical & problem solving
- Communication & interpersonal
- Strategic thinking
- Performance measurement
- Boardroom conduct & decision-making

##### **Knowledge Set**


- Investment strategies
- ESG and sustainability frameworks (e.g. SFDR, CSDR)
- Asset classes and regulatory environments (UCITS, AIFMD, MiCAR)
- Digital assets, DeFi, tokenisation

##### **Product Experience & Specialisms**

- Fund vehicle types (ICAV, PLC, SICAV, RAIF, SPV, CASP, EMI, AISP, PI)
- Asset classes (equity, fixed income, crypto, loans, private debt, etc.)
- Regulatory frameworks (AIFMD, UCITS, PSD2, MiCAR, 40 Act, etc.)

##### **Additional Attributes**

- Cultural fit and international experience
- Neurodiversity and inclusive background
- Verified PCF history, non-exec tenure, and board day rates
- Certificates such as IOD, CAIA, CIFD, ESG, Fintech, Blockchain

 *Recommendation that INEDs are selected by skills, experience, knowledge & specialism in a auditable selection process*

We recommend the Central Bank include in the Final Guidance a best practice standard or annex encouraging regulated firms to adopt a **structured matching model for INED recruitment**, incorporating:

- Defined technical, regulatory, product, and interpersonal competencies;
- Blind pre-screening stages (video/audio/transcript formats);
- Tools that enable removal of name, gender, or background during early filtering to reduce bias;
- Use of digital platforms to score compatibility with the vehicle being appointed to (e.g. AIFM vs bank vs CASP).

This ensures that INEDs are not selected based on proximity or informality, but rather by alignment to role-specific needs and sectoral demands—improving board independence, innovation, and governance over time.

### e. INED Board Tenure

There are some regulated vehicles in Ireland where the INEDs have been on the boards in excess of 10 years, a population in excess of 20 years. It is inconceivable that **Independence**, despite best professional efforts, can be truly & objectively retained over such long periods of time.

Public companies have a clear maximum of 9 years.

Some firms, ardently committed to board governance, have commenced processes of limiting board appointments to two terms of three years each, with the possibility on a one year extension to a seventh year on an exceptional needs basis

i.e. 3 + 3, possibly +1.

While this would be a best in class framework, **qUorate** recommend that at a minimum, revisions to F&P at least mirror the public company minimum

✓ *Recommendation tenure of INEDs for regulated entities be set a maximum term of 9 Years, implemented within 12 months of the final guidance*

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## 3. Controlled Function Classification and PCFs

### a. Sector-Specific PCFs & Unified List

**qUorate** warn against confusion from removing sector-specific PCF categories. Without guidance, firms may over- or under-report obligations, thereby delaying the Authorisation Process for both firm and CBI

✓ *Recommendation: Introduce a matrix mapping PCFs to firm types (e.g., Funds, EMIs, CASPs, Insurers) as an appendix or online tool.*

## **b. Duplication of CF-1 and CF-2 Roles**

**qUorate** highlights that assigning PCFs simultaneously as CF-1 and CF-2 adds administrative burden without clear benefit.

✓ *Recommendation: Confirm that CF-1/CF-2 designations are inherently covered for PCFs and do not require additional reporting.*

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## **4. CASP and Fintech-Specific Observations**

**qUorate** provides the strongest commentary here:

- **Inclusion of CASP Requirements:** Key MiCAR and VASP expectations (Head of Client Asset Oversight, safeguarding expertise) are absent from the draft Guidance.
- **Dual Hatting and Role Allocation:** Startup firms need more flexibility; dual PCFs (e.g., CEO and Executive Director) are common and practical.
- **Remote Appointments:** The Central Bank should confirm its stance on non-resident PCFs/CFs, especially given blockchain sector's global nature.

✓ *Recommendation: Confirm acceptance criteria for remote PCFs; clarify transitional expectations for dual-hat PCFs currently in place.*

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## **5. Temporary Officers & Succession Planning**

**qUorate** suggests mirroring the FCA's 12-week rule and time-limited PCF cover regime for maternity/parental leave or sudden absences.

✓ *Recommendation: Provide formal, streamlined routes for temporary PCF appointment up to 12 weeks (or more, with defined limits).*

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## **6. Due Diligence & Vetting Procedures**

**qUorate** support the structured due diligence table in Appendix 4. However, concerns include:

- **Proportionality:** Background checks should vary based on role seniority.
- **References:** Firms struggle to obtain meaningful past-employer references.
- **Professional Qualification Evidence:** Must reflect the context of the role (e.g., clearer when qualifications are “required” vs. “preferred”).

✓ *Recommendation: Clarify when and how firms can substitute references and what constitutes satisfactory alternate evidence.*

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## 7. Implementation & Transition

**qUorate** advocate for a **minimum 6-month implementation period** post-finalisation of the Guidance.

✓ *Recommendation: Central Bank should publish a transition timeline and toolkit, including webinars, checklists, and readiness guides.*

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## Conclusion

The publication of CP160 represents a clear opportunity to enhance both **regulatory integrity** and **boardroom performance** across Ireland's regulated financial services sector. However, to be effective, the final F&P regime must go beyond structural alignment and address the **practical and cultural dynamics** that currently shape board appointments.

We respectfully request that the Central Bank of Ireland:

- **Explicitly define diversity** in broader, fairer terms;
- **Strengthen INED selection expectations** to require independence, transparency, and capability-based matching;
- **Set tenure limits** that reflect international best practices; and
- **Accommodate evolving firm types**, such as fintechs and digital asset providers, with tailored, proportional expectations.

Done well, the revised regime will not only support trust and confidence in regulated firms, but also elevate the quality, resilience, and diversity of governance in Ireland's financial ecosystem for years to come.

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